

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES 2005-06 GOVERNOR'S BUDGET HIGHLIGHTS

The 2005-06 Governor's Budget for the Department of Child Support Services (DCSS) provides funding to promote the well being of children and the self-sufficiency of families by delivering first-rate child support establishment and collection services that help both parents meet the financial, medical, and emotional needs of their children. The DCSS budget has two parts: state operations and local assistance. State operations reflects DCSS staffing and operating costs as well as funding for statewide locate and intercept contracts necessary to operate the child support program. Local assistance reflects local child support agency (LCSA) administrative and automation costs, the alternative federal penalty, and costs for the development and implementation of the federally required statewide California Child Support Automation System (CCSAS). The proposed State Fiscal Year (SFY) 2005-06 budget for the entire operation of California's child support program is \$1.375 billion (\$508.2 million State General Fund (SGF)), an increase of \$61.2 million over the revised SFY 2004-05 budget of \$1.095 billion (\$302.6 million SGF) after adjusting for the Federal Fiscal Year (FFY) 2005 federal penalty amount of \$218 million.

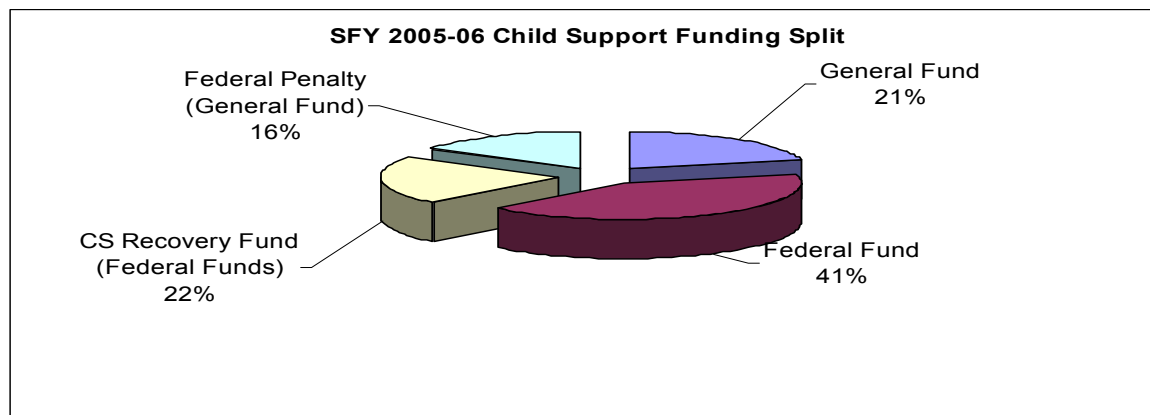
DEPARTMENT OF CHILD SUPPORT SERVICES FUNDING SUMMARY

(dollars in thousands)

| | FY 2005-06 | FY 2004-05 | Difference | % Change |
|--|--------------------|--------------------|------------------|--------------|
| <u>STATE SUPPORT</u> | | | | |
| State Operations- DCSS Operations | \$39,119 | \$37,803 | \$1,316 | 3.4% |
| State Operations- Locate/Intercept Contracts | \$89,330 | \$86,778 | \$2,552 | 2.9% |
| TOTAL, STATE SUPPORT | \$128,449 | \$124,581 | \$3,868 | 3.0% |
| General Fund | \$37,506 | \$36,267 | \$1,239 | 3.3% |
| Federal Funds | \$90,820 | \$88,192 | \$2,628 | 2.9% |
| Reimbursements | \$123 | \$122 | \$1 | 0.8% |
| AUTHORIZED POSITIONS | 346.6 | 336.1 | 10.5 | 3.0% |
| <u>LOCAL ASSISTANCE</u> | | | | |
| Basic Costs | \$709,658 | \$709,637 | \$21 | 0.0% |
| Other Premises | \$142,487 | \$148,278 | -\$5,791 | -4.1% |
| Federal Penalty | \$218,000 | \$0 | \$218,000 | 100.0% |
| CCSAS Project | \$175,961 | \$112,811 | \$63,150 | 35.9% |
| TOTAL, LOCAL ASSISTANCE | \$1,246,106 | \$970,726 | \$275,380 | 22.1% |
| General Fund | \$252,649 | \$266,375 | -\$13,726 | -5.4% |
| Federal Fund | \$478,152 | \$416,373 | \$61,779 | 12.9% |
| Recovery Fund | \$297,305 | \$287,978 | \$9,327 | 3.1% |
| Federal Penalty | \$218,000 | \$0 | \$218,000 | 100.0% |
| Reimbursements | \$0 | \$0 | \$0 | 0.0% |
| TOTAL, CHILD SUPPORT PROGRAM | \$1,374,555 | \$1,095,307 | \$279,248 | 20.3% |
| General Fund | \$290,155 | \$302,642 | -\$12,487 | -4.3% |
| Federal Fund | \$568,972 | \$504,565 | \$64,407 | 11.3% |
| Recovery Fund | \$297,305 | \$287,978 | \$9,327 | 3.1% |
| Federal Penalty | \$218,000 | \$0 | \$218,000 | 100.0% |
| Reimbursements | \$123 | \$122 | \$1 | 0.8% |

FUNDING SUMMARY (Continued)

The following charts display the child support program budget by program area and fund source for SFY 2005-06. Note: The Child Support Collections Recovery Fund is shown as a separate fund and reflects the federal share of child support assistance collections which are used to fund the federal share of administrative expenditures.



State Operations Funding

The State Operations budget for DCSS includes funding for personnel and related operating costs, and funding costs for statewide locate and intercept contracts necessary to administer the Child Support Program. The proposed budget includes personnel and operating costs increases necessary for year three workload of CCSAS and the development and implementation of the State Disbursement Unit (SDU). California enacted legislation in 1999 to restructure its child support enforcement program, creating DCSS and charting the course to implement CCSAS. The CCSAS project consists of two major procurements: the Child Support Enforcement (CSE) and the SDU. Significant changes proposed in state operations for SFY 2005-06 and SFY 2004-05 follow:

2005-06 Major Proposed Budget Adjustments:

- An increase of \$127,000 (\$43,000 SGF) and 3.0 redirected positions to address the Year 3 workload needs of the CSE component of the CCSAS Project.
- An increase of \$2 million (\$694,000 SGF) and 37.0 positions (10.5 new, and 26.5 redirected) to implement, oversee, manage and monitor performance of the SDU service contract and provide necessary accounting functions and controls to protect the flow of child support participant funds.
- An increase of \$721,000 (\$245,000 SGF) and the extension of 9.0 limited term positions to retool and implement statewide the Compromise of Arrears Program (COAP) through June 30, 2006.
- An increase of \$498,000 (\$169,000) in contract funds to reimburse the Department of Social Services (DSS) for State Administrative Hearing services conducted for the Child Support Program. This funding is consistent with the DSS request to convert 4 limited term positions to permanent.

2004-05 Major Budget Adjustments:

- There are no significant changes.

Local Assistance Funding

The local assistance budget for the DCSS includes funding for LCSA's administrative and automation costs. The local assistance budget also reflects the costs of the alternative federal penalty and the CCSAS project. Significant changes proposed for SFY 2005-06 and SFY 2004-05 follow:

2005-06 Major Proposed Budget Adjustments:

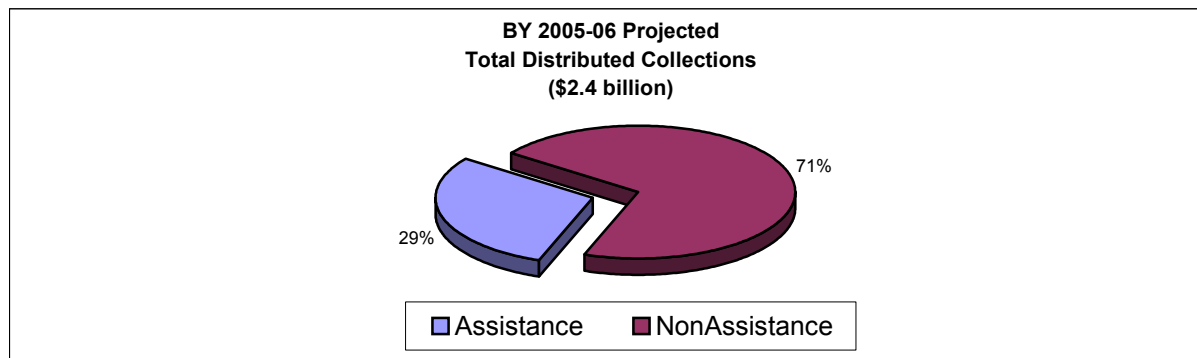
- A decrease of \$17.7 million (\$2.1 million SGF) for the Electronic Data Processing (EDP) Conversion and Enhancements activities to reflect the completion of ARS and CASES modifications. This reflects the continuing effort to complete the CCSAS project.
- An increase of \$218 million SGF for the FFY 2005 Alternative Federal Penalty which the payment was deferred from SFY 2004-05 to September 2005, which is in SFY 2005-06. The Governor's Budget assumes that the Administration for Children and Families (ACF) will allow the State to defer payment of the FFY 2006 penalty to September 30, 2006, which is in SFY 2006-07.
- An increase of \$20.0 million (\$6.9 million SGF) for the service provider contract cost in the CCSAS SDU project.
- An increase of \$53.3 million for the Business Partners (BP) cost in the CCSAS CSE project. The SGF (\$26.3 million) for the BP cost is reflected in the Franchise Tax Board budget.

2004-05 Major Budget Adjustments:

- An increase of \$15.5 million SGF for EDP Conversion and Enhancements due to a shift of federal funds to SGF, because the ACF will not participate in the costs for the ARS and CASES modifications.

CHILD SUPPORT COLLECTIONS

The Governor's Budget for SFY 2005-06 projects distributed collections at \$2.4 billion, an increase of \$41.0 million or 2 percent over revised SFY 2004-05 distributed collections. Of this amount, \$1.7 billion or 71 percent are distributed directly to families (**Non-Assistance**), and \$0.7 billion or 29 percent are distributed to government entities (**Assistance**).

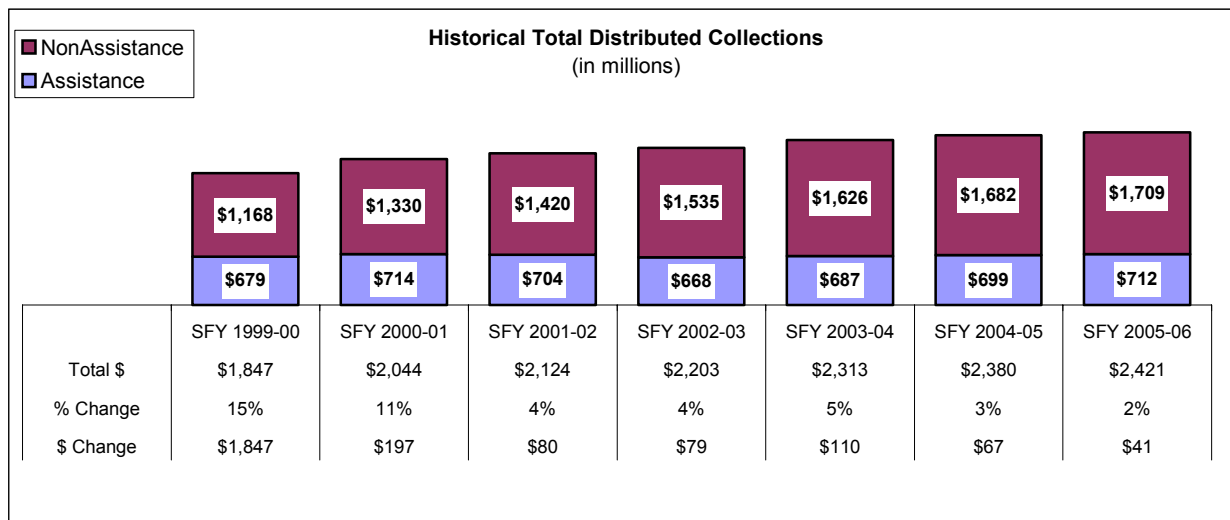


NonAssistance Collections (Distributions Directly to Families)

SFY 2005-06 proposes \$1.7 billion, which is an increase of \$27.2 million over the revised SFY 2004-05 budget. These are collections that are made on behalf of families and sent directly to families. They include: basic collections (\$1.6 billion), which are the ongoing efforts of the LCSAs to collect child support payments from noncustodial parents, and other premises (\$152 million), which are collections that are associated with new or other enforcement activities that are above the basic ongoing functions of the LCSA, such as Franchise Tax Board Non-Tax Collections, California Insurance Intercept Project and Child Support Collection Enhancement Programs, as well as nonassistance collections forwarded to other states.

Assistance Collections (Distributions to Government)

SFY 2005-06 proposes \$712.0 million, which is an increase of \$13.4 million over the revised SFY 2004-05 budget. These collections repay government entities for assistance payments. They include basic collections (\$627 million), as and other premises (\$85 million) as described above for the nonassistance collections plus the \$50 Disregard Payments to Families.



Total child support distributed collections have grown from \$1.8 billion in SFY 1999-00 to a projected level of \$2.4 billion in SFY 2005-06. This represents a 33 percent overall growth rate.